

## Message Text

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ACTION ARA-10

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OPIC-03 LAB-04 SIL-01 SSO-00 NSCE-00 INRE-00 USIE-00

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 6336

C O N F I D E N T I A L LIMA 6607

EO 11652: GDS

TAGS: EINV, EMIN, PFOR, PE, US

SUBJ: MARCONA EXPROPRIATION - NEGOTIATING TEAM AND  
ATMOSPHERICS

1. I CALLED FOREIGN MINISTRY UNDER SECRETARY AMBASSADOR  
JOSE DE LA PUENTE RADBIL MORNING AUGUST 14 TO INFORM HIM  
THAT MARCONA NEGOTIATING TEAM WILL CONSIST OF FOLLOWING  
INDIVIDUALS:

GORDON FURTH, EXECUTIVE VICE PRESIDENT, MARCONA CORP.

JAMES COMPTON, VICE PRESIDENT FOR PRODUCTION, MARCONA CORP.

WILLIAM BILLHORN, MARKETING MANAGER, MARCONA CORP.

ROBERT STEBBINGS, LEGAL ADVISER, MARCONA CORP.

DE LA PUENTE TOLD ME THAT HE HOPED THAT THE NEGOTIATIONS  
WOULD BE RAPID AND SUCCESSFUL, AND ADDED THAT THERE WOULD  
BE "NO CONFISCATION". HE REITERATED DURING CONVERSATION  
THAT THERE SHOULD BE A NEGOTIATED RESOLUTION TO ALL THE OUT-  
STANDING ISSUES. HE SAID THAT THE PERUVIAN TEAM WOULD BE  
MEETING THIS AFTERNOON AT THE FOREIGN MINISTRY TO PRE-  
PARE THEMSELVES FOR THE MONDAY MEETING, AND NOTED SPE-  
CIFICALLY THAT THE TEAM WOULD BE VERY INTERESTED IN HEARING  
WHAT MARCONA PROPOSES IN REGARD TO CONTRACTS, SALES, SHIP-  
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PING, AND COMPENSATION - "ALL THE ISSUES".

2. I REVIEWED THE BIDDING WITH DE LA PUENTE, AND ALSO MENTIONED THE CASE OF THE "ELIZABETH LYKES". DE LA PUENTE SAID THAT, IN HIS VIEW, MARCONA CORP. WAS THE U.S. PURCHASING AGENT FOR MARCONA MINING, AND SINCE IT HAD BEEN NATIONALIZED, HIERROPERU HAD A RIGHT TO THE CARGO. HOWEVER, HE ALSO EMPHASIZED THAT THIS CARGO, AS WELL AS ANY OTHER CARGOES DESTINED FOR HIERROPERU WOULD BE COMPENSATED IN FULL. HE SPECIFICALLY SAID THAT MARCONA HAD A RIGHT TO ASSUME THAT FULL PAYMENT WOULD BE MADE. HE SAID THAT HE WOULD CONFIRM TO ME THE EXACT TIMING AND LOCATION OF THE MONDAY MEETING AS WELL AS OTHER ADMINISTRATIVE DETAILS AS SOON AFTER HIS MEETING TODAY AS POSSIBLE.

2. FRANK ARCHIBALD ALSO CALLED ON ME THIS MORNING AND WE REVIEWED THE MARCONA SITUATION IN DEPTH. ARCHIBALD IS WELL ACQUAINTED WITH SEVERAL MEMBERS OF THE GOP NEGOTIATING TEAM. HIS ASSESSMENT OF THREE OF THE GOP TEAM MEMBERS, WITH WHOM HE IS PERSONALLY ACQUAINTED, FOLLOWS:

A. JOSE LUIS BROUSSET - KNOWLEDGEABLE AND WELL-MEANING, BUT INEFFECTUAL DURING HIS TERM AS VICE MINISTER OF FINANCE IN MOVING THE CUAJONE PROJECT FORWARD. WILL PROBABLY BE AN ASSET IN TERMS OF TAKING A MODERATE APPROACH, BUT IS NOT FORCEFUL. HOWEVER, HE HAS MORALES BERMUDEZ' CONFIDENCE AND CAN ALMOST BE REGARDED AS REPRESENTING THE PRIME MINISTER.

B. LUIS RODRIGUEZ MARIATEGUI PROANO - EXTREMELY ABLE LAWYER WHO WAS A KEY FIGURE DURING THE FINAL STAGES OF THE CUAJONE CONTRACT NEGOTIATIONS. VERY WELL AND FAVORABLY KNOWN TO SPCC OFFICIALS. "A GOOD MAN" AND A POSITIVE SIGN THAT THE GOP INTENDS TO NEGOTIATE SERIOUSLY.

C. GUILLERMO DASSO, LAWYER - ARCHIBALD CONFIRMED COMPTON'S VIEWS REPORTED REFTTEL THAT DASSO, BOSSIO'S REPRESENTATIVE FROM HIERROPERU, WILL PROBABLY NOT BE MUCH HELP SINCE HE POSSESSES A LONG-STANDING ANTI-MARCONA BIAS.

3. ARCHIBALD NOTED THAT THE NEGOTIATING TEAM APPEARED TO HIM TO REPRESENT A CROSS SECTION OF INTERESTS BUT ONE THAT

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WAS BALANCED AND COULD BE EXPECTED TO NEGOTIATE WITH SOME PURPOSE.

4. ARCHIBALD RECOUNTED TO ME THAT JOINT STAFF CHIEF GENERAL OSCAR VARGAS PRIETO (PRESIDENT OF THE COMANDO CONJUNTO) INVITED HIM TO LUNCH YESTERDAY. VARGAS PRIETO TOLD ARCHIBALD THAT THE GOP "IS GOING TO RESOLVE THE MARCONA PROBLEM IMMEDIATELY AND AMICABLY." VARGAS PRIETO MENTIONED MY CONVER-

SATION WITH HIM (LIMA 6162) FAVORABLY, NOTING THAT THE GOP UNDERSTOOD THE NEED FOR AN URGENT RESOLUTION OF THE MATTER. ARCHIBALD SAID THAT HE AGREED WITH MY ASSESSMENT OF VARGAS PRIETO AS A MAN OF INTEGRITY AND OF HIS WORD AND ONE WHO WOULD NOT MAKE SUCH STATEMENTS LIGHTLY.

5. ARCHIBALD ALSO REPORTED THAT HE HAD LEARNED THAT MINES MINISTER FERNANDEZ MALDONADO MET YESTERDAY WITH A GROUP OF U.S. AND JAPANESE BUSINESSMEN INVOLVED WITH THE MEDIUM-SIZED MADRIGAL MINE IN SOUTHERN PERU. ACCORDING TO ARCHIBALD, THE MINES MINISTER STARTED OUT IN RATHER A BELLIGERENT MANNER, STATING THAT THE GOP WOULD DEFEND ITS CASE IN FOREIGN COURTS IF MARCONA SUES THEM. HOWEVER, MADRIGAL SOURCES ALSO NOTED THAT FERNANDEZ MALDONADO SAID THAT MARCONA WOULD RECEIVE "PROMPT AND ADEQUATE COMPENSATION", TAKING INTO ACCOUNT THE DEBTS THAT MARCONA OWES. JAMES COMPTON HAS ALSO REPORTED TO US A SIMILAR VERSION OF THIS MEETING BETWEEN THE MINES MINISTER AND MADRIGAL OFFICIALS. ACCORDING TO COMPTON'S VERSION, FERNANDEZ MALDONADO ALSO NOTED THAT HIERROPERU HAS "SIGNED PROOF" OF MARCONA DEBTS WHICH WOULD BE USED TO CALCULATE THE OVERALL DEBT. COMPTON SPECULATED THAT THE MINISTER WAS PROBABLY REFERRING TO MARCONA INTEROFFICE MEMOS, TO WHICH HIERROPERU NOW HAS ACCESS, WHICH BROUGHT TO ATTENTION ALL THE TAX AND OTHER FINANCIAL CLAIMS WHICH THE GOP HAD RAISED EARLIER THIS YEAR WITH MARCONA COMPTON SAID THESE MEMOS COULD BE MISINTERPRETED, IF THE GOP TRIES TO DEMONSTRATE THAT MARCONA ACCEPTED THESE CLAIMS AS VALID. COMPTON SAID THAT, OF COURSE, MARCONA HAD KEPT ACCOUNTS OF ALL THE CHARGES, BUT HAD NEVER ACCEPTED ANY AS HAVING LEGAL VALIDITY.

6. COMMENT: COMPOSITION OF GOP TEAM IS AS WELL BALANCED AS WE COULD HAVE EXPECTED, AND PROBABLY INDICATES THAT  
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GOP INTENDS TO NEGOTIATE SERIOUSLY. OF PARTICULAR INTEREST ARE THE REAFFIRMATIONS FROM DE LA PUENTE, AND MORE IMPORTANTLY OF VARGAS PRIETO, THAT THE GOP INTENDS TO GET DOWN TO BRASS TACKS AND DISCUSS ALL THE ISSUES IN A SERIOUS MANNER. WE BELIEVE IT IS ALSO SIGNIFICANT THAT THE GOP IS INTERESTED IN WHAT MARCONA PROPOSES IN THE WAY OF A PACKAGE, WHICH MAY WELL INDICATE THAT THEY REALIZE THAT WITHOUT SOME ASSISTANCE FROM MARCONA THE MINE WILL BE UNECONOMIC IN THE VERY NEAR FUTURE. THESE RELATIVELY FAVORABLE SIGNS DO NOT MEAN THAT THE ROUTE WILL NOT BE TORTUOUS. FURTHER, THE LEGAL IMPEDIMENTS WHICH THE GOP HAS ALREADY CONSTRUCTED WILL MAKE IT DIFFICULT FOR THE GOP TO REACH A MUTUALLY SATISFACTORY SOLUTION IN A RAPID MANNER. WHILE MANY HURDLES REMAIN, WE ARE NOT CONVINCED THAT THE GOP DOES INTEND AT LEAST TO OPEN NEGOTIATIONS SOON, AND AP-

PARENTLY FEELS SOME URGENCY IN ATTEMPTING TO DEFINE THE  
PARAMETERS OF A NEGOTIATED SOLUTION.  
DEAN

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